

Naughty or Nice

Incentive programs help motivate employees to do their best



When Deborah Oatts left Eli Lilly & Co. in 1994 to start Nubian Transport Management, she took with her some very important lessons on providing incentives to employees. Lilly long has been considered one of the most desirable places to work in Indianapolis and frequently tops national lists of best employers. Oatts still applies many of those lessons learned at the Fortune 500 company to her small business, which has grown to include Nubian Construction Group.

"Once you've worked for that kind of company," she says, "when you become a business owner, it always sticks with you."

This is the time of year when some employees receive year-end bonuses and gifts that mark their companies' appreciation for a

job well done. But most companies offer incentives throughout the year to attract and maintain employees, increase productivity and safety, and influence other employee behaviors.

Oatts says providing incentives is important, regardless of the size of business. "Do we compare to larger companies? In some cases, we may exceed their incentive programs," she says proudly.

Most incentive programs are developed by human resource compensation specialists such as Mary Kay Conley of Human Resource Resolve, a consulting firm.

"Really, the main thing at the beginning," she says, "is to decide what behavior you want to motivate."

Once an effective program is developed, good communication of the expectations

and incentives is key. Conley says plenty of companies put together what otherwise would be outstanding programs that in the end don't achieve company goals.

"They don't communicate it well, so the employees don't understand what they work for," she says.

Value of incentives

Many incentive programs are ineffective, thereby wasting a company's valuable resources. The biggest culprit is the development of programs that are too broad and don't target specific behaviors. Not all employees will react favorably to incentives if they aren't tied to their area of work.

Conley says bank tellers, for instance, may not understand their role in the return

of equity or net income of a company, so providing incentives with this lofty goal would be ineffective. "It's hard for them to see how they impact that financial measure," she says.

However, bank tellers do have friends and family who may be interested in the bank's services. These new clients, in turn, would boost the bottom line. So giving the tellers a small token for referrals may be appropriate.

Cash also isn't always a surefire incentive, compensation experts warn. Sales staff usually are motivated by cash rewards, but workers in a call center may prefer a trip or other incentive. In some instances, programs can be developed that are part cash and part noncash.

Joyce Schooley, state director of the Indiana State Council of the Society for Human Resource Management, says employees also can be motivated differently, depending on the type of organization for which they work. Schooley, who is human resource director for the Indiana Blood Bank, says people who work for not-for-profits are motivated differently than those in corporate settings.

"In the not-for-profit world," she says, "people are not as motivated by the financial piece." They are just as often pleased with the occasional movie ticket or \$5 gift card from Starbucks.

Cash-strapped businesses may be challenged to provide such small tokens of appreciation. But, Schooley says, employers often can partner with businesses to acquire incentives. For instance, an employer maybe able to work a deal to get five free gift cards with every 10 bought.

Differing levels

Compensation experts say there are three tiers of incentives that can be layered together to create a successful program:

1. Immediate — This can be as simple as a pat on the back or an email to the employee's colleagues recognizing a job well done.

2. Short term — This usually rewards performance over a month or a quarter but can include a period up to a year.

3. Long term — This usually refers to programs that are longer than a year.

There are many kinds of incentives, from cash to trips. Many companies, including Best Buy and Williams-Sonoma, offer gift cards with no expiration dates or service fees.

If buying individual incentives is too costly for your business, consider group motivators

6 Tips for Developing Incentive Programs

- > **Reward individual effort as well as team results.**
- > **Structure programs according to the needs of the tasks or departments of the employees rather than establishing one size fits all models.**
- > **Set measurable targets, but keep them simple.** Is productivity up or down? Are sales up or down?
- > **Provide rewards only when employees have exceeded the call of duty.** After all, you already pay them for average performance, and in some instances, programs backfire because employees grow to view them as entitlements.
- > **Provide rewards that get the employees' attention.** Human resource experts say anything below 8 percent of base compensation is unlikely to register with employees.
- > **Remember that anything that has a monetary value is subject to taxation.** Communicate this clearly to employees so they won't be surprised when they appear to have earned less money to cover the tax on the \$2,000 cruise they won.

like pizza parties, bowling trips or bringing a massage therapist into the office on company time, Conley suggests. She admits there may be a loss in productivity for the day, but your employees will make up for that and more

later if they are happy. And some fun activities even build teamwork by allowing employees to bond with one another.

"I've seen that sort of thing really boost employee morale," she says. *W*

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